State Profile

Winter 2005

Louisiana

Louisiana has experienced significant job losses due to the recent hurricanes, particularly in the New Orleans MSA.

- Approximately 223,000 net job losses occurred in the state between August and September 2005 subsequent to the hurricanes. The New Orleans MSA suffered the brunt of these losses, shedding 217,000 jobs. However, job growth has begun related to clean-up and rebuilding efforts, with the state and New Orleans adding back 32,000 and 15,000 jobs respectively, through November.

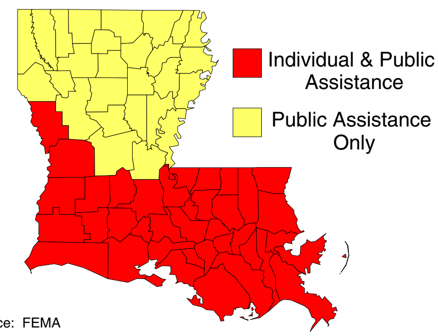
Bank financial reports reflect early effects of the hurricanes, but the full extent of the damages likely will not be felt for some time.

- Median return on assets (ROA) for all state-headquartered institutions dipped to 1.09 percent in third quarter, down from 1.14 percent in the previous quarter and 1.12 percent one year ago. For institutions headquartered in the 37 parishes designated disaster areas[1] as a result of both storms (see Map 1), the median ROA fell more noticeably -- from 1.13 percent in second quarter 2005 to 1.03 percent in the third quarter. In the New Orleans and Lake Charles MSAs, the decline is even more pronounced as the median ROA dropped from 0.88 in second quarter 2005 to 0.67 percent in the current period. These declines are attributed to higher loan loss provision and overhead expenses, both likely related to clean-up and repair costs.

- Insured institutions headquartered in areas eligible for individual and public assistance (shaded red on Map 1) allocated $278 million to loan loss reserves in third quarter 2005,[2] slightly more than the allocation in the previous ten quarters combined.

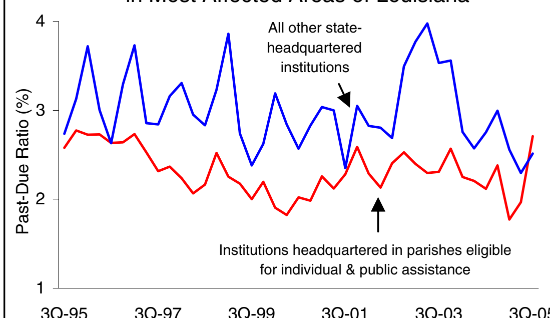
- Past-due ratios surged as a result of the aftermath of the hurricanes, particularly in the most adversely affected areas of the state (see Chart 1). The median past-due ratio for institutions headquartered in areas eligible for individual and public assistance (shaded red on Map 1) jumped 38 percent in third quarter 2005, from the prior period. And in New Orleans and Lake Charles MSAs,

Map 1: Declared Disaster Areas as a Result of Hurricane's Katrina and Rita



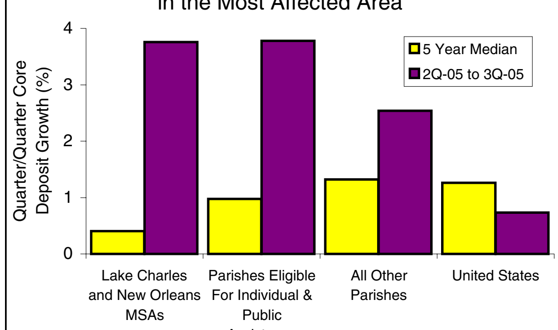
Source: FEMA

Chart 1: Past-Due Rates Surge, Particularly in Most Affected Areas of Louisiana



Source: FDIC, FEMA. Figures are medians.

Chart 2: Core Deposit Have Grown Strongly in the Most Affected Area



Source: FDIC, figures are medians.

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[1] Louisiana parishes eligible for both individual and public assistance only.

[2] It should be noted that a considerable portion (70 percent) of this total provision expense came from a single institution.

the median-past ratio climbed 59 percent over the previous quarter and 119 percent from one year ago.

- On a positive note, most institutions affected by the hurricanes have not only maintained, but increased, their deposit base. Median core deposit[3] growth at the 110 institutions headquartered in areas eligible for individual and public assistance (shaded red on Map 1) was up 3.8 percent in third quarter 2005 from the prior period. Insured institutions headquartered in the New Orleans and Lake Charles MSAs reported similar levels of core deposit growth during the past quarter; this growth exceeded that seen in lesser affected parishes in the state and the nation (see Chart 2). The jump in core deposits can be attributed to federal and state emergency relief funds and insurance payments received by area homeowners and businesses.
- The hurricanes occurred relatively late in the reporting period, and most lenders have offered a variety of accommodations to affected borrowers. As a result, the full impact of the storms on insured institutions may not be felt for several quarters.

Louisiana Office of Financial Institutions Commissioner John Ducrest discusses the regulatory response to the recent hurricanes and expresses confidence that state insured institutions will recover.

- *The following are excerpts from an interview conducted by FDIC Regional Manager Gary Beasley with Louisiana Office of Financial Institutions (LOFI) Commissioner John Ducrest on the state of the banking industry in Louisiana following hurricanes Katrina and Rita.*
- "Institutions were faced with widespread failures of communication infrastructure, overwhelmed housing availability, the displacement of their employees and customers over wide geographic areas, and a lack of supplies and fuel. For the most part, these challenges have now been overcome and addressed by those institutions affected by the storms. Great leadership and crisis management by the senior officials and staffs of these institutions resulted in an incredible response to a terrible tragedy," said Commissioner Ducrest.
- When asked about major issues that must be addressed before state insured institutions can resume "normal" operations, Commissioner Ducrest responded, "The most critical needs for those areas that faced long-term flooding and storm surge (i.e., the New Orleans area) are rebuilding levees to at least a true Category 3 protection level and establishing sufficient housing for our fellow citizens to return to their homes and neighborhoods. While several small communities right along the western coast of Louisiana were devastated by Rita, further north of the coast (i.e., the Lake Charles area), where the population base is in that part of the state, the rebuilding process has already begun and the population has generally returned."
- When asked about the most significant challenges facing insured institutions in the near term, Commissioner Ducrest said, "The challenges depend on the markets. For institutions depending on the success of repopulating their previous trade areas, after long-term flooding, challenges will be in the form of restoring a sufficient customer base to support the existing community. However, solutions to these types of challenges are possible, and I have every confidence these institutions are up to the challenge. Furthermore, LOFI, in conjunction with the federal regulatory agencies, stands ready to assist these institutions as they respond to these challenges."
- Commissioner Ducrest continued, "For other institutions, the loan growth that will likely occur as a result of the rebuilding process will be a challenge they will have to manage. Following landfall of Katrina, one of the first actions we (LOFI) took was a call to our counterparts in Florida. The banking department there provided invaluable insight into what we would be facing following a storm of Katrina's magnitude. One of the issues brought up was the extent of rebuilding that occurs following a major hurricane. I think for the next several years, we will see significant growth opportunities for those institutions operating in the affected areas."

[3]Deposits in a bank's market area, considered a stable source of funding for lending.

Louisiana at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	-3.5%	0.4%	0.7%	0.7%	0.5%
Manufacturing (8%)	-3.5%	-1.1%	-2.3%	-2.3%	-3.0%
Other (non-manufacturing) Goods-Producing (8%)	-4.9%	1.1%	-4.5%	-2.5%	-0.8%
Private Service-Producing (64%)	-4.1%	0.5%	1.6%	1.4%	1.0%
Government (20%)	-1.0%	0.1%	1.3%	0.9%	1.2%
Unemployment Rate (% of labor force)	7.6	5.3	5.6	5.7	6.3

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	6.8%	5.2%	5.8%	3.1%
Single-Family Home Permits	2.1%	6.6%	15.3%	9.7%	12.9%
Multifamily Building Permits	45.9%	-46.3%	-78.2%	-36.2%	26.2%
Existing Home Sales	4.6%	1.8%	-7.5%	4.5%	6.3%
Home Price Index	6.6%	6.9%	6.7%	5.8%	5.1%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	7.62	7.67	6.76	6.60	6.23

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	162	164	167	166	170
Total Assets (in millions)	63,628	61,013	58,264	59,777	53,730
New Institutions (# < 3 years)	1	1	0	1	0
Subchapter S Institutions	40	39	38	38	35

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.67	2.05	2.43	2.66	2.70
ALLL/Total Loans (median %)	1.31	1.27	1.29	1.31	1.29
ALLL/Noncurrent Loans (median multiple)	1.64	1.67	1.52	1.43	1.64
Net Loan Losses / Total Loans (median %)	0.07	0.06	0.07	0.13	0.17

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	10.28	10.23	10.12	10.07	9.78
Return on Assets (median %)	1.10	1.14	1.11	1.08	1.07
Pretax Return on Assets (median %)	1.50	1.51	1.56	1.44	1.43
Net Interest Margin (median %)	4.62	4.58	4.58	4.42	4.40
Yield on Earning Assets (median %)	6.38	6.16	5.90	5.73	5.98
Cost of Funding Earning Assets (median %)	1.90	1.71	1.43	1.43	1.65
Provisions to Avg. Assets (median %)	0.11	0.10	0.10	0.13	0.15
Noninterest Income to Avg. Assets (median %)	0.88	0.91	0.98	0.94	0.95
Overhead to Avg. Assets (median %)	3.43	3.47	3.52	3.53	3.53

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	63.8	64.5	64.0	61.4	60.5
Noncore Funding to Assets (median %)	19.9	20.3	20.3	19.9	19.2
Long-term Assets to Assets (median %, call filers)	11.5	12.1	13.0	12.1	13.6
Brokered Deposits (number of institutions)	20	15	15	15	15
Brokered Deposits to Assets (median % for those above)	3.3	3.0	2.4	2.8	1.2

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	70.1	69.5	73.3	76.1	73.3
Commercial Real Estate	168.1	169.3	141.0	148.9	142.9
Construction & Development	31.0	27.1	23.7	24.4	21.1
Multifamily Residential Real Estate	2.1	2.2	2.3	2.3	1.0
Nonresidential Real Estate	115.7	114.0	107.9	108.4	96.9
Residential Real Estate	186.7	191.5	185.0	189.2	185.8
Consumer	56.2	56.6	56.6	57.2	60.8
Agriculture	14.2	14.3	16.5	13.3	13.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
New Orleans-Metairie-Kenner, LA	42	20,066	< $250 million	129 (79.6%)
Baton Rouge, LA	39	9,332	$250 million to $1 billion	29 (17.9%)
Shreveport-Bossier City, LA	19	4,009	$1 billion to $10 billion	3 (1.9%)
Lafayette, LA	22	3,415	> $10 billion	1 (0.6%)
Houma-Bayou Cane-Thibodaux, LA	13	2,535		